

EAST JORDAN PUBLIC SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required and additional information)
JUNE 30, 2007

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INDEPENDENT AUDITORS' REPORT

October 2, 2007

Board of Education
East Jordan Public Schools
East Jordan, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of East Jordan Public Schools as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 2, 2007 on our consideration of East Jordan Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The managements discussion and analysis and required budgetary comparison information identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise East Jordan Public School's basic financial statements. The combining and individual nonmajor fund financial statements and additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and additional information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Certified Public Accountants

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

During 2006 – 2007 fiscal year, the District continued to present Governmental Accounting Standards Board Statement 34 (GASB 34), Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments. This section of the East Jordan Public Schools annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2007.

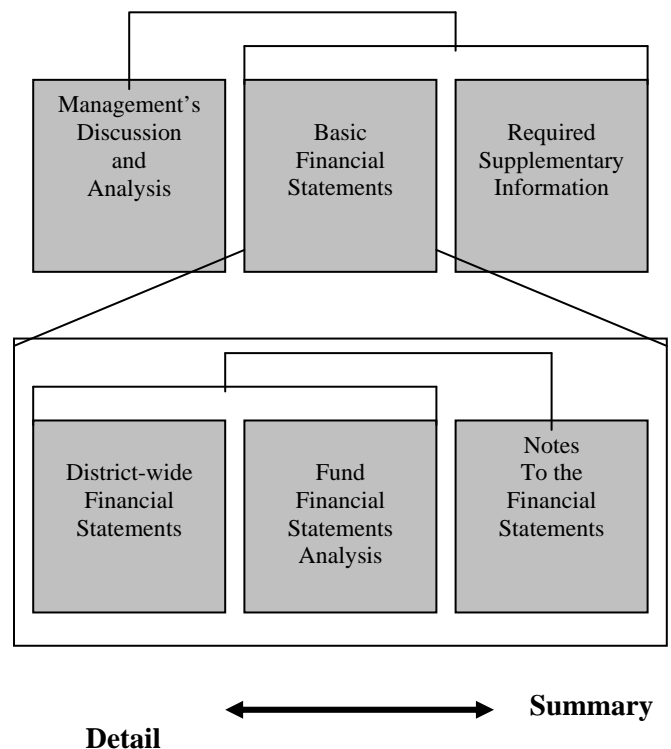
Financial Highlights

- The District's financial status improved this year. Total net assets increased by 10.46% to approximately \$5.8 million compared to \$5.3 million last year.
- At the end of the current fiscal year, the fund balance in the General Fund was \$774,514 or 7.6% of the total expenditures.
- The taxable value of all properties in the District increased this year by 7.6%.
- Student enrollment based on a blended count, decreased by 2.6% to approximately 1211 students.
- The General Fund transferred \$8,000 less to the Athletic fund than last year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the district.

**Figure A-1
Required Components of
The District's Annual Financial Report**



- The first two statements are district-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the district's budget for the year. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the district's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements			
	Fund Statements		
	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district is the trustee or agent for someone else's resources such as student activities monies
Required Financial Information	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset Liability Information	All assets and liabilities, both financial and capital, and short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year regardless of when cash is received or paid.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school building and other facilities.

The government-wide financial statements of the District are:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds: not the district as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which focus on (1) how much cash and other financial assets that can readily be converted to cash flow in and out and (2) The balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, this report includes reconciliation schedules that explain the relationship (or differences) between the District-wide Statements and the Fund financial Statements.
- Fiduciary funds – The District is trustee, or fiduciary, for assets that belong to others, such as student activities and scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Financial Analysis of the District as a Whole

Net Assets. The District's combined net assets were higher on June 30, 2007 than they were the year before, increasing more than 10.46% to approximately \$5,840,000. Figure A-3 illustrates the valuation of net assets on June 30, 2007 and 2006.

Figure A-3

Condensed Statement of Net Assets

	<u>2007</u>	<u>2006</u>
Assets		
Current	\$ 2,111,888	\$ 1,945,595
Non-current	<u>14,104,494</u>	<u>14,384,996</u>
Total assets	<u><u>\$ 16,216,382</u></u>	<u><u>\$ 16,330,591</u></u>
Liabilities		
Current	\$ 1,844,960	\$ 1,803,354
Non-Current	<u>8,528,198</u>	<u>9,237,527</u>
Total liabilities	<u>10,373,158</u>	<u>11,040,881</u>
Net Assets		
Invested in capital assets, net of related debt	4,827,800	4,423,455
Restricted	345,869	256,722
Unrestricted	<u>669,555</u>	<u>609,533</u>
Total net assets	<u>5,843,224</u>	<u>5,289,710</u>
Total liabilities and net assets	<u><u>\$ 16,216,382</u></u>	<u><u>\$ 16,330,591</u></u>

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Figure A-4

Results of Operations:

	2007	2006
Revenues:		
Property taxes	\$ 4,616,501	\$ 4,231,583
Unrestricted state aid	5,275,089	5,386,784
Other general revenues	214,142	164,592
Charges for services	325,489	348,277
Operating grants and contributions	1,592,211	1,658,735
	<hr/>	<hr/>
Total revenues	12,023,432	11,789,971
	<hr/>	<hr/>
Expenditures:		
Instruction	6,434,184	6,302,759
Pupil and instructional services	655,244	703,621
Administration and business	1,191,320	1,120,853
Operation and maintenance	865,685	991,502
Pupil transportation	520,059	491,130
Community services	243,823	272,790
Food service activities	400,642	411,048
Athletic activities	243,163	239,949
Interest on long-term debt	413,835	444,617
Depreciation (unallocated)	501,963	505,222
	<hr/>	<hr/>
Total expenditures	11,469,918	11,483,491
	<hr/>	<hr/>
CHANGE IN NET ASSETS	\$ 553,514	\$ 306,480
	<hr/>	<hr/>

The District's financial position is the product of many factors:

- The State's per pupil funding allowance increased by \$210 this year.
- Enrollment in the District decreased by 32 (blended count) compared to a decrease of 25 students in the prior year.
- Net assets increased by \$553,514 due to an increase in property tax revenue and decreases in energy costs and debt interest.

Financial Analysis of the District's Funds

As the District completed the year its governmental funds reported combined fund balances of \$1,190,434, which is higher than the previous year's ending fund balance of \$1,054,943.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget two times. The budget amendments were for changes made at the end of the second quarter to account for final enrollment counts and changes made in assumptions since the original budget was adopted. Significant items causing budget adjustments are:

- Non-homestead property values increased 8.2%, providing an additional \$297,100 in revenues.
- Our student membership decreased, resulting in a decrease in State Aid of approximately \$138,000.
- The District harvested timber from District-owned lands and received \$32,848 in revenue.
- Custodian and bus driver health insurance expense decreased approximately \$44,000 due to switching to a different health plan.
- Energy costs decreased by approximately \$80,700.
- The District purchased two buses for \$135,000, financed by a \$135,000 note.

At the end, actual expenditures were \$10,044,590 compared to \$10,203,927 budgeted, which represents a favorable budget variance of \$159,337.

Actual revenues were \$10,294,191 compared to \$10,370,918 budgeted, which represents an unfavorable budget variance of \$76,727.

Capital Asset and Debt Administration

Capital Assets:

As of June 30, 2007, the District had invested \$20,359,738 in a broad range of capital assets, including school buildings, athletic facility improvements, software, busses, technology and electronic surveillance equipment.

	Beginning of year	Additions	Disposals	End of year
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Buildings and improvements	18,005,657	73,392	-	18,079,049
Land Improvements	191,010	-	-	191,010
Furniture and Equipment	1,328,151	-	-	1,328,151
Vehicles	744,390	148,069	130,931	761,528
Total historical cost	20,269,208	221,461	130,931	20,359,738
Less accumulated depreciation:	5,955,080	501,963	130,931	6,326,112
Net capital assets	<u>\$ 14,384,996</u>	<u>\$ (280,502)</u>	<u>\$ -</u>	<u>\$ 14,104,494</u>

Current additions include two buses and replacement of a portion of the elementary school roof.

**EAST JORDAN PUBLIC SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

Long Term Debt:

Total long-term debt at June 30, 2007 was \$9,388,078. Below is the debt activity for the year:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Decreases</u>	<u>End of year</u>
Bonds and installment agreements	\$ 9,961,541	\$ 135,000	\$ 819,847	\$ 9,276,694
Other liabilities				
Compensated absences	<u>118,207</u>	<u>1,177</u>	<u>8,000</u>	<u>111,384</u>
Total long-term liabilities	<u>\$ 10,079,748</u>	<u>\$ 136,177</u>	<u>\$ 827,847</u>	<u>\$ 9,388,078</u>

Factors Bearing on the District's Future

The following factors have been considered in preparing the budget for the 2007/2008 school year:

- With the current economic condition in the State of Michigan, uncertainty surrounds the level at which districts will be funded for the student foundation allowance for the 2007-2008 fiscal year. This will pose a challenge to the District to provide a quality education to our citizens.
- The District continues to face significant increases in rates for health insurance and the cost of retirement benefits for school employees.
- The contract with the teaching staff expires on August 31, 2008.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact East Jordan Public Schools Business Office.

EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 1,099,583
Other Receivables	18,250
Due from other governmental units	961,551
Inventory and prepaid items	<u>32,504</u>
Total current assets	<u>2,111,888</u>
Noncurrent assets:	
Capital assets	20,430,606
Less: accumulated depreciation	<u>6,326,112</u>
Total noncurrent assets	<u>14,104,494</u>
	<u><u>\$ 16,216,382</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable and other current liabilities	\$ 301,626
Due to other governmental units	36,579
Deferred revenue	141,665
Salaries payable	505,210
Current portion of long term debt	<u>859,880</u>
Total current liabilities	1,844,960
Noncurrent liabilities:	
Noncurrent portion of long-term debt and liabilities	<u>8,528,198</u>
Total liabilities	<u>10,373,158</u>
Net Assets:	
Invested in capital assets, net of related debt	4,827,800
Reserved for debt retirement	325,647
Reserved for capital projects	20,222
Unrestricted	<u>669,555</u>
Total Net Assets	<u>5,843,224</u>
	<u><u>\$ 16,216,382</u></u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (expenses) And changes in Net assets
		Charges for Services	Operating Grants and Contributions		
					Total
Governmental activities:					
Instruction	\$ 6,434,184	\$ 26,311	\$ 1,020,468	\$ -	\$ (5,387,405)
Supporting services:					
Pupil	347,713	-	139,219	-	(208,494)
Instructional staff	307,531	-	97,369	-	(210,162)
General administration	358,407	-	-	-	(358,407)
School administration	671,692	-	3,846	-	(667,846)
Business	161,221	-	-	-	(161,221)
Operation and maintenance	865,685	-	6,531	-	(859,154)
Pupil transportation services	520,059	-	256	-	(519,803)
Community services	243,823	103,802	20,000	-	(120,021)
Food service	400,642	142,228	266,771	-	8,357
Athletic activities	243,163	53,148	37,751	-	(152,264)
Interest on long term debt	413,835	-	-	-	(413,835)
Depreciation (unallocated)	501,963	-	-	-	(501,963)
Total governmental activities	<u>\$ 11,469,918</u>	<u>\$ 325,489</u>	<u>\$ 1,592,211</u>	<u>\$ -</u>	<u>(9,552,218)</u>
General revenues:					
Property taxes, levied for general purposes					3,280,915
Property taxes, levied for debt services					1,202,331
Property taxes, levied for capital expenditures					133,255
Unrestricted state aid					5,275,089
Interest and investment earnings					102,243
Other revenues					<u>111,899</u>
Total General revenues					<u>10,105,732</u>
CHANGES IN NET ASSETS					553,514
Net assets – beginning of year					<u>5,289,710</u>
Net assets – end of year					<u>\$ 5,843,224</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
BALANCE SHEETS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	General	2002 Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 717,294	\$ 211,936	\$ 170,353	\$ 1,099,583
Receivables:				
Accounts	16,808	-	895	17,703
Interest	547	-	-	547
Due from other funds	2,743	47	3,817	6,607
Due from other governmental units	926,011	-	35,540	961,551
Inventory	-	-	3,573	3,573
Prepaid Expenses	26,431	-	2,500	28,931
	<u>\$ 1,689,834</u>	<u>\$ 211,983</u>	<u>\$ 216,678</u>	<u>\$ 2,118,495</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 13,401	\$ -	\$ 2,217	\$ 15,618
Due to other funds	3,864	-	2,743	6,607
Due to other governmental units	36,579	-	-	36,579
Accrued expenditures	220,266	-	2,116	222,382
Deferred revenue	138,791	-	2,874	141,665
Salaries payable	502,419	-	2,791	505,210
Total liabilities	<u>915,320</u>	<u>-</u>	<u>12,741</u>	<u>928,061</u>
Fund balances:				
Reserved for:				
Debt retirement	-	211,983	113,664	325,647
Capital projects	-	-	20,222	20,222
Unreserved:				
Undesignated	774,514	-	70,051	844,565
Total fund balances	<u>774,514</u>	<u>211,983</u>	<u>203,937</u>	<u>1,190,434</u>
	<u>\$ 1,689,834</u>	<u>\$ 211,983</u>	<u>\$ 216,678</u>	<u>\$ 2,118,495</u>

See notes to financial statements

**EAST JORDAN PUBLIC SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 1,190,434
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Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

	The cost of capital assets is	20,430,606
	Accumulated depreciation is	(6,326,112)
		14,104,494

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

	Bonds Payable	9,276,694
	Accrued interest payable	63,626
	Compensated absences (vacations)	111,384
		(9,451,704)

Total net assets - governmental activities	\$ 5,843,224
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See notes to financial statements.

EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	2002 Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Property taxes	\$ 3,280,915	\$ 579,508	\$ 756,078	\$ 4,616,501
Other local sources	327,812	13,026	248,858	589,696
State sources	5,758,113	-	32,253	5,790,366
Federal sources	279,370	-	234,518	513,888
Interdistrict and other sources	512,981	-	-	512,981
Total revenues	10,159,191	592,534	1,271,707	12,023,432
EXPENDITURES:				
Instruction:				
Basic instruction	4,964,958	-	-	4,964,958
Added needs	1,443,731	-	-	1,443,731
Compensatory education	32,318	-	-	32,318
Total Instruction	6,441,007	-	-	6,441,007
Support Services:				
Pupil services	347,713	-	-	347,713
Instructional staff	307,531	-	-	307,531
General Administration	358,407	-	-	358,407
School Administration	671,692	-	-	671,692
Business	161,221	-	-	161,221
Operations and Maintenance	865,685	-	-	865,685
Transportation	627,095	-	-	627,095
Support services	243,823	-	-	243,823
Food service	-	-	400,642	400,642
Athletic activities	-	-	243,163	243,163
Capital outlay	-	-	114,425	114,425
Debt principal payments	19,847	285,000	515,000	819,847
Debt interest and other charges	569	301,183	118,938	420,690
Total support services	3,603,583	586,183	1,392,168	5,581,934
Total expenditures	10,044,590	586,183	1,392,168	12,022,941
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	114,601	6,351	(120,461)	491
OTHER FINANCING SOURCES (USES):				
Bus note proceeds	135,000	-	-	135,000
Operating transfers in	10,000	-	152,000	162,000
Operating transfers out	(152,000)	-	(10,000)	(162,000)
Total other financing sources (uses)	(7,000)	-	142,000	135,000
NET CHANGES IN FUND BALANCES	107,601	6,351	21,539	135,491
FUND BALANCE - beginning of year	666,913	205,632	182,398	1,054,943
FUND BALANCE - End of year	\$ 774,514	\$ 211,983	\$ 203,937	\$ 1,190,434

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007**

Total net change in fund balances - governmental funds	\$ 135,491
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Depreciation expense	(501,963)	
Capital Outlay	<u>221,461</u>	(280,502)

Interest on long-term debt in the statement of activities differs from the amount recorded in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources.

6,855

In the statement of activities, certain compensated absences (vacations) and special termination benefits are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by essentially the amounts actually paid. The amounts included in the statement of activities are:

Decrease in Early retirement incentive (net)	8,000	
Compensated absences (vacations)	(1,177)	(1,177)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.

Repayment of principle		819,847
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The issuance of long-term debt provides current financial resources to governmental funds, But does not have any effect on the net assets.

(135,000)

Change in net assets of governmental activities.	<u>\$ 553,514</u>
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See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
TRUST AND AGENCY FUNDS
JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	<u>\$ 95,084</u>	<u>\$ 102,724</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	<u>\$ 95,084</u>	<u>\$ 102,724</u>

See notes to financial statements.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements of East Jordan Public Schools (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, *The Financial Reporting Entity*.

Based on the application of these criteria, the general purpose financial statements of East Jordan Public Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the District nor is the District a component unit of another entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the school district. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

The district reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The *2002 debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the district reports the following fund types:

The *agency fund* is custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, state foundation revenue, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the District and are recognized as revenue at that time. State and federal revenues are recognized as follows:

State Foundation Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007 the foundation allowance was based on the pupil membership counts taken in February and September 2006.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2006 to August 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 C-3– Accounting for Property Taxes.

Categorical

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity

1. Cash and investments

The District reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

3. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of taxable valuation:

Fund	Mills
General Fund (non-homestead)	18.0000
Debt service funds (homestead & non-homestead)	3.5500
Sinking Fund	0.3944

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Assets, Liabilities and Equity (continued)

4. Inventories and Prepaid Items

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the special revenue funds consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Inventories for commodities are recorded as revenue when utilized and are not included as a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets

Capital assets, which include property, plant, equipment are reported in the government-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donations.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment of the district is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 yrs
Building and site improvements	20 yrs
General equipment	10-15 yrs
Vehicles	8 yrs
Office furniture and fixtures	7 yrs
Computer equipment	5 yrs

6. Compensated Absences

Accumulated vacation and sick pay amounts which are expected to be liquidated with expendable available resources (generally sixty days) are recorded in the general fund while the remainder of the liability is recorded in the general long-term debt group of accounts.

7. Unemployment Insurance

The District reimburses the State of Michigan for the actual amount of unemployment benefits disbursed by the State on behalf of the District. Billings received for amounts paid by the State through June 30 are accrued.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

9. Fund Balance

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute “available spendable resources.” The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

10. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditure and changes in fund balances – budget and actual – GAAP basis – general, special revenue and debt service funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balance – budget and actual – GAAP basis – general, special revenue and debt service funds.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30th.

- B. Expenditures that exceeded appropriations are as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:			
Business	\$ 160,616	\$ 161,221	\$ 605
Central Support Services	85,070	88,211	141
Community Services	154,611	158,612	4,001

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the District by each of the District's funds.

Deposits

At year-end, the carrying amount of the District's deposits were \$1,099,583 and the bank balance was \$1,487,585 of which \$213,466 was covered by federal depository insurance and \$1,274,119 was uninsured and uncollateralized. The District has \$30 in petty cash on hand.

Investments

The District had the following investments in external investment pools as of June 30, 2007:

MILAF (mutual fund, cost = market)	\$ <u>581</u>
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Interest Rate Risk – The district will monitor interest rate risk by using and analyzing, segmented time distribution, specific identification and time duration of investments.

Credit Risk - State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The district has no investment policy that would further limit its investment choices. As of June 30, 2007, that district's investment in the MILAF pool was rated AAAM by Standard and Poor's.

Concentration of Credit Risk – The district may invest 100% of available reserves with U.S. Treasury securities completely guaranteed by the Treasury.

A reconciliation of cash as shown on the combined balance sheet follows:

Cash on hand	\$ 30
Carrying amount of deposits	1,194,056
Investments	<u>581</u>
Total	<u>\$ 1,194,667</u>
 Cash and cash equivalents:	
Governmental activities	\$ 1,099,583
Fiduciary funds	<u>95,084</u>
Total	<u>\$ 1,194,667</u>

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – RECEIVABLES

Receivables at June 30, 2007 consist of the following:

Governmental units	\$ 961,511
Other	<u>18,250</u>
	<u><u>\$ 979,651</u></u>

Amounts due from governmental units include amounts due from federal, state and local sources for various projects and programs. Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 5 – LONG-TERM DEBT

At June 30, 2007, General obligation debts and other long-term obligations currently outstanding are as follows:

\$2,060,000 1995 serial bonds payable in annual installments of \$515,000 through May 1, 2011; interest at 4.50%	\$ 2,060,000
\$7,045,000 2002 serial bonds payable in annual installments of \$320,000 to \$995,000 through May 1, 2017; interest at 3.50% to 4.40%	7,045,000
Limited obligation Durant bonds payable in annual installments of \$3,499 to \$21,298 through May 2013, interest at 4.76%	<u>36,694</u>
Total bonded debt	9,141,694
\$135,000 bus note payable in annual installments of \$24,880 to \$29,207 through July 2012, interest at 4.09%.	<u>135,000</u>
Total bonds and notes payable	9,276,694
Compensated absences	<u>111,384</u>
	<u><u>\$ 9,388,078</u></u>

EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LONG-TERM DEBT (concluded)

The annual requirements to amortize long-term obligations outstanding as of June 30, 2007 including interest of \$2,184,817 are as follows:

Year ending June 30,	Principal	Interest	Total
2008	\$ 859,880	\$ 387,275	\$ 1,247,155
2009	904,356	351,989	1,256,345
2010	963,255	321,372	1,284,627
2011	986,855	274,640	1,261,495
2012	873,183	233,199	1,106,382
2013-2017	4,689,165	616,342	5,305,507
	9,276,694	2,184,817	11,461,511
Compensated absences	111,384		111,384
	<u>\$ 9,388,078</u>	<u>\$ 2,184,817</u>	<u>\$ 11,572,895</u>

At June 30, 2007, net assets of \$325,647 are available in the debt service funds to service the general obligation debt.

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2007:

	Beginning Balance	Additions	Reductions	Ending balance	Due within one year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 9,905,000	\$ -	\$ 800,000	\$ 9,105,000	\$ 835,000
Durant resolution debt	36,694	-	-	36,694	-
Bus note	19,847	135,000	19,847	135,000	24,880
	<u>9,961,541</u>	<u>135,000</u>	<u>819,847</u>	<u>9,276,694</u>	<u>859,880</u>
Total bonds payable	9,961,541	135,000	819,847	9,276,694	859,880
Other liabilities:					
Early retirement incentive	8,000	-	8,000	-	-
Compensated absences	110,207	1,177	-	111,384	-
	<u>118,214</u>	<u>1,177</u>	<u>-</u>	<u>119,391</u>	<u>-</u>
Total long-term liabilities	<u>\$ 10,079,748</u>	<u>\$ 136,177</u>	<u>\$ 827,847</u>	<u>\$ 9,388,078</u>	<u>\$ 859,880</u>

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – NOTE PAYABLE

The Schools issues State Aid notes in advance of State Aid receipts, depositing the proceeds in the General Fund. This note is necessary because State Aid payments do not begin until September.

The following is a summary of the changes in short-term liabilities for the year ended June 30, 2007, excluding interest expense of \$73,150 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Note payable	\$ -	\$ 1,900,000	\$ 1,900,000	\$ -

NOTE 7 – DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2007 were as follows:

	<u>Beginning of year</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>End of year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 70,868	\$ -	\$ -	\$ 70,868
Capital assets, being depreciated				
Buildings and improvements	\$ 18,005,657	\$ 73,392	\$ -	\$ 18,079,049
Land Improvements	191,010	-	-	191,010
Furniture and Equipment	1,328,151	-	-	1,328,151
Vehicles	744,390	148,069	130,931	761,528
Total historical cost	\$ 20,269,208	\$ 221,461	\$ 130,931	\$ 20,359,738
Less accumulated depreciation:				
Buildings and improvements	\$ 4,822,251	\$ 373,519	\$ -	\$ 5,195,770
Land Improvements	106,607	11,546	-	118,153
Equipment and technology	396,266	64,393	-	460,659
Vehicles	629,956	52,505	130,931	551,530
Total accumulated depreciation	\$ 5,955,080	\$ 501,963	\$ 130,931	\$ 6,326,112
Governmental activities capital assets, net	\$ 14,384,996			\$ 14,104,494

Depreciation for the fiscal year ended June 30, 2007 amounted to \$501,963. The School determined that it was impractical to allocated depreciation to the carious governmental activities as the assets serve multiple functions.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – GOVERNMENTAL FUND TYPE INTERFUND TRANSACTIONS

Amounts due to and from other funds for the Districts governmental fund types at June 30, 2007 are as follows:

Receivable fund	Payable fund	Amount
Food service fund	General fund	\$ 3,766
1995 Debt service fund	General fund	51
2002 Debt service fund	General fund	47
General Fund	Food service fund	2,743
		<u>\$ 6,607</u>

Interfund transfers for the year ended June 30, 2007 were as follows:

Fund Transferred Out	Fund Transferred In	Amount
Food Service fund	General fund	\$ 10,000
General fund	Athletic Activities	152,000
		<u>\$ 162,000</u>

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN

Plan Description – The District contributes to the statewide Michigan Public School Employees’ Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN - continued

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to the pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007 were 14.87%. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2007, 2006 and 2005 were \$1,039,400, \$949,128 and \$876,949 respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Postemployment Benefits – Under the MPSERS' Act, all retirees have the option of continuing health, dental and vision coverage.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**EAST JORDAN PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS

Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes.

Cafeteria fund – This fund accounts for the Districts school lunch program.

Athletic Activities fund – This fund accounts for the Athletic activities of the District.

Debt service funds account for the receipt of tax revenues to repay the principle and interest of outstanding debt issues.

The *1995 and Durant debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital project funds are used to purchase equipment and other long-term fixed assets within the district.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST JORDAN PUBLIC SCHOOLS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GAAP BASIS
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts			Variance with Final Budget- Favorable (unfavorable)
	Original	Final	Actual	
Local sources	\$ 3,609,325	\$ 3,610,584	\$ 3,608,727	\$ (1,857)
State sources	5,610,484	5,794,026	5,758,113	(35,913)
Federal sources	311,381	274,383	279,370	4,987
Interdistrict and other sources	563,858	556,925	512,981	(43,944)
 Total revenues	 10,095,048	 10,370,918	 10,294,191	 (76,727)
EXPENDITURES:				
Instruction:				
Basic instruction	4,951,212	5,031,960	4,964,958	67,002
Added needs	1,451,181	1,449,903	1,443,731	6,172
Enrichment programs	34,108	33,370	32,318	1,052
Total Instruction	6,436,501	6,515,233	6,441,007	74,226
 Support Services:				
Pupil services	388,260	352,374	347,713	4,661
Instructional staff	374,792	364,260	307,531	56,729
General Administration	372,292	364,619	358,407	6,212
School Administration	672,154	681,291	671,692	9,599
Business	114,702	160,616	161,221	(605)
Operations and Maintenance	963,840	871,499	865,685	5,814
Transportation	497,276	633,936	627,095	6,841
Central support services	78,544	85,070	85,211	(141)
Community services	170,867	154,611	158,612	(4,001)
Debt service:				
Principal	19,847	19,847	19,847	-
Interest	571	571	569	2
Total support services	3,653,145	3,688,694	3,603,583	85,111
 Total expenditures	 10,089,646	 10,203,927	 10,044,590	 159,337
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 5,402	 31,991	 114,601	 82,610
 OTHER FINANCING SOURCES (USES):				
Bus note proceeds	-	135,000	135,000	-
Operating transfers in	-	10,000	10,000	-
Operating transfers out	(152,000)	(152,000)	(152,000)	-
 Total other financing sources (uses)	 (152,000)	 (7,000)	 (7,000)	 -
 NET CHANGES IN FUND BALANCES	 \$ (146,598)	 \$ 24,991	 107,601	 \$ 82,610
 FUND BALANCE - Beginning of year			 666,913	
 FUND BALANCE - End of year			 \$ 774,514	

EAST JORDAN PUBLIC SCHOOLS
2002 DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2007

	<u>Budgeted Amounts</u>			Variance with Final Budget- Favorable (unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Property taxes	\$ 577,359	\$ 577,359	\$ 579,508	\$ 2,149
Investment income	4,000	4,000	13,026	9,026
Total revenues	<u>581,359</u>	<u>581,359</u>	<u>592,534</u>	<u>11,175</u>
EXPENDITURES:				
Debt service:				
Principal	285,000	285,000	285,000	-
Interest and other fiscal charges	<u>300,530</u>	<u>300,530</u>	<u>301,183</u>	<u>(653)</u>
Total expenditures	<u>585,530</u>	<u>585,530</u>	<u>586,183</u>	<u>(653)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (4,171)</u>	<u>\$ (4,171)</u>	6,351	<u>\$ 10,522</u>
FUND BALANCES:				
Beginning of year			<u>205,632</u>	
End of year			<u>\$ 211,983</u>	

ADDITIONAL INFORMATION

**EAST JORDAN PUBLIC SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2007**

	Special Revenue Funds			Debt Service Funds			Sinking Fund	Nonmajor Governmental Funds
	Cafeteria	Athletic Activities	Total	1995 Debt Service	Durant Debt Service	Total		
ASSETS								
Cash and cash equivalents	\$ 21,729	\$ 14,789	\$ 36,518	\$ 113,613	\$ -	\$ 113,613	\$ 20,222	\$ 170,353
Receivables:								
Accounts	895	-	895	-	-	-	-	895
Due from other funds	3,766	-	3,766	51	-	51	-	3,817
Due from other governmental units	35,540	-	35,540	-	-	-	-	35,540
Inventory	3,573	-	3,573	-	-	-	-	3,573
Prepaid expenses	2,500	-	2,500	-	-	-	-	2,500
Total assets	<u>\$ 68,003</u>	<u>\$ 14,789</u>	<u>\$ 82,792</u>	<u>\$ 113,664</u>	<u>\$ -</u>	<u>\$ 113,664</u>	<u>\$ 20,222</u>	<u>\$ 216,678</u>
Liabilities:								
Accounts payable	\$ 2,217	\$ -	\$ 2,217	\$ -	\$ -	\$ -	\$ -	\$ 2,217
Accrued expenses	1,572	544	2,116	-	-	-	-	2,116
Due to other funds	2,743	-	2,743	-	-	-	-	2,743
Deferred revenue	-	2,874	2,874	-	-	-	-	2,874
Salaries payable	650	2,141	2,791	-	-	-	-	2,791
Total liabilities	<u>7,182</u>	<u>5,559</u>	<u>12,741</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,741</u>
Fund balances:								
Designated – capital projects	-	-	-	-	-	-	20,222	20,222
Designated - debt service	-	-	-	113,664	-	113,664	-	113,664
Undesignated	60,821	9,230	70,051	-	-	-	-	70,051
Total fund balances	<u>60,821</u>	<u>9,230</u>	<u>70,051</u>	<u>113,664</u>	<u>-</u>	<u>113,664</u>	<u>20,222</u>	<u>203,937</u>
	<u>\$ 68,003</u>	<u>\$ 14,789</u>	<u>\$ 82,792</u>	<u>\$ 113,664</u>	<u>\$ -</u>	<u>\$ 113,664</u>	<u>\$ 20,222</u>	<u>\$ 216,678</u>

EAST JORDAN PUBLIC SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Funds			Debt Service Funds				Nonmajor Governmental Funds
	Cafeteria	Athletic Activities	Total	1995 Debt Service	Durant Debt Service	Total	Sinking Fund	
REVENUES:								
Local sources:								
Property taxes	\$ -	\$ -	\$ -	\$ 622,823	\$ -	\$ 622,823	\$ 133,255	\$ 756,078
Lunch and milk sales	143,448	-	143,448	-	-	-	-	143,448
Admission and other	-	90,972	90,972	-	-	-	-	90,972
Interest	2,275	486	2,761	10,942	-	10,942	735	14,438
State sources	32,253	-	32,253	-	-	-	-	32,253
Federal sources	234,518	-	234,518	-	-	-	-	234,518
Total revenues	412,494	91,458	503,952	633,765	-	633,765	133,990	1,271,707
EXPENDITURES:								
Food service	400,642	-	400,642	-	-	-	-	400,642
Athletic activities	-	243,163	243,163	-	-	-	-	243,163
Capital outlay	-	-	-	-	-	-	114,425	114,425
Debt service:								
Principle	-	-	-	515,000	-	515,000	-	515,000
Interest and other	-	-	-	118,938	-	118,938	-	118,938
Total expenditures	400,642	243,163	643,805	633,938	-	633,938	114,425	1,392,168
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,852	(151,705)	(139,853)	(173)	-	(173)	19,565	(120,461)
OTHER FINANCING SOURCES (USES):								
Operating transfers in	-	152,000	152,000	-	-	-	-	152,000
Operating transfers out	(10,000)	-	(10,000)	-	-	-	-	(10,000)
Total other financing sources (uses)	(10,000)	152,000	142,000	-	-	-	-	142,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	1,852	295	2,147	(173)	-	(173)	19,565	21,539
FUND BALANCES, beginning of year	58,969	8,935	67,904	113,837	-	113,837	657	182,398
FUND BALANCES, end of year	\$ 60,821	\$ 9,230	\$70,051	\$ 113,664	\$ -	\$ 113,664	\$ 20,222	\$ 203,937

**EAST JORDAN PUBLIC SCHOOLS
TRUST & AGENCY
STATEMENT OF CHANGES IN ASSETS & LIABILITIES
YEAR ENDED JUNE 30, 2007**

	Balances, beginning of year	Receipts	Disbursements	Balances, End of year
ASSETS				
Cash and equivalents	<u>\$ 102,724</u>	<u>\$ 339,333</u>	<u>\$ 346,973</u>	<u>\$ 95,084</u>
LIABILITIES				
Due to organizations and class funds	<u>\$ 102,724</u>	<u>\$ 339,333</u>	<u>\$ 346,973</u>	<u>\$ 95,084</u>

EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 1995 DEBT
JUNE 30, 2007

	<u>Interest Rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2008	4.50%	\$ 515,000	\$ 92,700	\$ 607,700
2009	4.50%	515,000	69,525	584,525
2010	4.50%	515,000	46,350	561,350
2011	4.50%	<u>515,000</u>	<u>23,175</u>	<u>538,175</u>
		<u>\$ 2,060,000</u>	<u>\$ 231,750</u>	<u>\$ 2,291,750</u>

Principal payments due on first day of	May
Interest payments due on the first day of	May and November
Original issue – November 1, 1995	\$5,300,000

EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – DURANT DEBT
JUNE 30, 2007

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
Year ending June 30:				
2008	4.76%	\$ -	\$ -	\$ -
2009	4.76%	3,459	906	4,365
2010	4.76%	21,298	8,023	29,321
2011	4.76%	3,796	568	4,364
2012	4.76%	3,976	388	4,364
2013	4.76%	4,165	198	4,363
		<u>\$ 36,694</u>	<u>\$ 10,083</u>	<u>\$ 46,777</u>

Principal payments due on fifteenth day of May

Interest payments due on the fifteenth day of May

Original issue – November 24, 1998 \$62,145

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS – 2002 DEBT
JUNE 30, 2007

	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest Amount</u>	<u>Total</u>
Year ending June 30:				
2008	3.75%	\$ 320,000	\$ 289,054	\$ 609,054
2009	3.75%	360,000	277,054	637,054
2010	3.75%	400,000	263,554	663,554
2011	3.85%	440,000	248,555	688,555
2012	3.95%	840,000	231,616	1,071,616
2013-2017	Various	<u>4,685,000</u>	<u>616,144</u>	<u>5,301,144</u>
		<u>\$ 7,045,000</u>	<u>\$ 1,925,977</u>	<u>\$ 8,970,977</u>

Principal payments due on first day of	May
Interest payments due on the first day of	May & November
Original issue – November 1, 2002	\$7,920,000

EAST JORDAN PUBLIC SCHOOLS
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2007

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

October 2, 2007

To the Board of Education
East Jordan Public Schools
East Jordan, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2007, which collectively comprise the East Jordan Public School's basic financial statements and have issued our report thereon dated October 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered East Jordan Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the East Jordan Public Schools, in a separate letter dated October 2, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Jordan Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

October 2, 2007

To the Board of Education
East Jordan Public Schools
East Jordan, Michigan

Compliance

We have audited the compliance of East Jordan Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2007. East Jordan Public Schools' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of East Jordan Public Schools' management. Our responsibility is to express an opinion on East Jordan Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about East Jordan Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on East Jordan Public Schools' compliance with those requirements.

In our opinion, East Jordan Public Schools complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of East Jordan Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contract and grants applicable to federal programs. In planning and performing our audit, we considered East Jordan Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more on the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Jordan Public Schools as of and for the year ended June 30, 2007, which collectively comprise the East Jordan Public School's basic financial statements and have issued our report thereon dated October 2, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the East Jordan Public School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not required as part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Certified Public Accountants

**EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award Amount	Prior year Expenditures	Accrued (Deferred) Revenue 6/30/06	Adjust- ments	Current Year Receipts	Current year Expenditures	Accrued (Deferred) Revenue 6/30/07
<u>U.S. Department of Agriculture</u>									
Passed through Michigan Department of Education:									
Child Nutrition Cluster:									
National School Lunch Program – Section 4	10.555	61950	\$ 24,958	\$ 22,378	\$ -	\$ -	\$ 2,580	\$ 2,580	\$ -
National School Lunch Program – Section 4		71950	22,406	-	-	-	18,915	22,406	3,491
National School Lunch Program – Section 11		61960	127,519	113,150	-	-	14,369	14,369	-
National School Lunch Program – Section 11		71960	125,575	-	-	-	104,868	125,575	20,707
			300,458	135,528	-	-	140,732	164,930	24,198
National School Lunch Program – Breakfast	10.553	61970	37,739	33,992	-	-	3,747	3,747	-
National School Lunch Program – Breakfast		71970	40,526	-	-	-	33,069	40,526	7,457
			78,265	33,992	-	-	36,816	44,273	7,457
Total Child Nutrition Cluster			378,723	169,520	-	-	177,548	209,203	31,655
Food Distribution:									
Entitlement commodities	10.550		24,964	-	-	-	24,964	24,964	-
Bonus commodities			351	-	-	-	351	351	-
			25,315	-	-	-	25,315	25,315	-
Total Department of Agriculture			404,038	169,520	-	-	202,863	234,518	31,655
<u>U.S. Department of Education</u>									
Direct Programs:									
Indian Education/Title VII	84.060A	06-07	31,321	-	-	-	31,321	31,321	-
<u>Passed through Michigan Department of Education:</u>									
Title I	84.010	71530-0607	172,450	-	-	-	172,450	172,450	-
Handicapped Preschool	84.027	060440-SPSR	2,781	-	2,781	-	2,781	-	-
Title V	84.298	070250-0607	253	-	-	-	253	253	-
Title II-Technology Literature	84.318	074290-0607	1,761	-	-	-	1,761	1,761	-
Title IIA-Improving Teacher Quality	84.367	070520-0607	61,386	-	-	-	61,386	61,386	-

Federal grantor/pass-through grantor/ program title	Federal CFDA number	Pass- through grantor's number	Award Amount	Prior year Expenditures	Accrued (Deferred) Revenue 6/30/06	Adjust- ments	Current year receipts	Current year Expenditures	Accrued (Deferred) Revenue 6/30/07
Hurricane Katrina Relief	84.938	064120-1	6,781	-	4,950	-	6,781	1,831	-
Total Passed through MDE			245,412	-	7,731	-	245,412	237,681	-
<u>Passed through Char-Em ISD</u>									
Handicapped Persons	84.027	060490/TS	2,705	-	(967)	-	2,705	933	(2,739)
Voc Ed	84.048		683	-	-	-	683	683	-
	84.048		4,540	-	-	-	4,540	-	(4,540)
	84.243A		770	-	-	-	770	770	-
			5,993	-	-	-	5,993	1,453	(4,540)
Drug Free	84.186A		630	-	630	-	630	-	-
	84.186A		2,509	-	-	-	1,069	2,509	1,440
			3,139	-	630	-	1,699	2,509	1,440
Total Char-Em ISD			11,837	-	(337)	-	10,397	4,895	(5,839)
Total U.S. Department of Education			288,570	-	7,394	-	287,130	273,897	(5,839)
<u>U.S. Department of Health & Human Services:</u>									
Passed through Char-Em ISD									
Medicaid Outreach	93.778		5,473	-	-	-	5,473	5,473	-
TOTAL FEDERAL AWARDS			\$ 698,081	\$ 169,520	\$ 7,394	\$ -	\$ 500,939	\$ 513,888	\$ 25,816

The accompanying notes are an integral part of this schedule.

EAST JORDAN PUBLIC SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTES:

1. Basis of presentation – The accompanying schedule of expenditures of federal awards includes the grant activity of East Jordan Public Schools and is presented on the modified accrual basis of accounting. The information in the schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the general purpose financial statements.
2. Child Nutrition Cluster CDFA# 10.555 and 10.553 was audited as a major program, representing 40.7% of expenditures.
3. The threshold for distinguishing Type A and Type B programs was \$300,000.
4. Management has utilized the Grant Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the general purpose financial statements:

General fund	\$ 279,370
Special revenue funds	<u>234,518</u>
Total Federal Awards	<u><u>\$ 513,888</u></u>

6. East Jordan Public Schools was determined to be a low-risk auditee.

**EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

Section I – Summary of Auditors’ Results

Financial statements

Type of auditors’ report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Type of auditors’ report issued on compliance for major programs: *Unqualified*

Any audit finding disclosed that are required to be reported with Section 510(a) of Circular A-133? ☐ Yes ☒ No

Identification of major programs:

CFDA Number(s)
10.555 & 10.553

Name of Federal Program
Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

Section II – Financial Statement Findings

None.

**EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007
(Continued)**

Section III – Federal Award Findings and Questioned Costs

None.

**EAST JORDAN PUBLIC SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS**

Financial Statement Audit

None



October 2, 2007

Board of Education
East Jordan Public Schools
East Jordan, MI

In planning and performing our audit of the financial statements of East Jordan Public Schools for the fiscal year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered East Jordan Public School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we noted the following control deficiencies:

Cash Management

The State of Michigan changed the cash management policy during 2007. Previously, a district was allowed to request cash for up to thirty days of cash flow needs. The new policy allows for a three day cash advance on grant funds. Before the year end, the Business Manager requested grant funds that included accrued expenditures that will not be expended within the three day allowable cash advance period. During the year, cash requests were done on a reimbursement basis. We recommend that all grant requests are done before accrual of monthly or year ended expenditures to be in compliance with the State of Michigan requirement.

This report is intended solely for the information and use of the Board of Education, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants